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SUBJECT: MISSOURI GOVERNOR PROMOTES SMART PORT

Summary

¶1. (SBU) The Governor of Missouri visited Mexico City with a delegation to discuss the Kansas City Smart Port, a proposed Mexican government customs house in Kansas City. The group met with Ambassador Garza, Embassy representatives, the Secretary of Finance accompanied by representatives from

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Mexican Customs and the Tax Administration Service (SAT) the Secretary of Transportation, and President Calderon. The

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Governor also participated in a signing ceremony between Kansas City Southern de Mexico and the State of Michoacan. While Mexican officials were clear that the Smart Port project is stalled, and are making demands that include a similar facility in Mexico, the delegation remained optimistic. Post anticipates that Smart Port supporters will seek to follow-up with Washington.

Kansas City Smart Port

¶2. (SBU) Kansas City Smartport is a non-profit coalition of shippers, exporters, and warehouse operators promoting Kansas City as an "inland Port" for multimodal shipping, drawing on the city's extensive railroad, highway, air and river line infrastructure. Backers of the initiative have lobbied the USG and GoM to station U.S. Customs and Border Patrol (CBP) and Mexican Custom officials at the Smartport in Kansas City to perform expedited "pre-clearance" customs processing. This would allow goods to be shipped directly from Kansas City to the Mexican port of Lazaro Cardenas for international export, while also allowing goods arriving in Lazaro Cardenas to be forwarded to Kansas City for customs clearances, without stopping at the border.

Missouri Governor Visits on News of Delay

¶3. (SBU) On February 11-13, Governor Matt Blunt of Missouri visited Mexico City in response to information that the project was not moving ahead. The Smart Port Coalition had been informed by CBP in Washington that CBP was not interested in posting inspectors at the Smart Port, and that the Mexican government had not submitted a request to the Department of State to negotiate the diplomatic status of any Mexican inspectors working there. The Governor's visit was an attempt to continue pushing the project forward with the new Mexican administration.

¶4. (SBU) The Governor also used the visit to support Kansas

City Southern de Mexico and to promote Missouri-Mexican trade. He was the honorary witness during a agreement signing ceremony between Kansas City Southern de Mexico and the State of Michoacan. The agreement was for an 80 million USD inter-model terminal at the port of Lazaro Cardenas. At the signing ceremony, Kansas City Southern de Mexico announced additional investments of 300 million USD.

¶ 15. (SBU) Accompanying the Governor was his chief of staff, Ed Martin; the Director of the Missouri Department of Economic Development, Greg Steinhoff; Jr.; President of Kansas City Smart Port, Chris Gutierrez; the Chairman of Kansas City Smart Port's Board of Directors, John Wagner; Kansas City Smart Port Board Members, Ken Hoffman and Al Figuly; and CB Richard Ellis Senior Associate for Industrial Services, Brian Staton. Also attending meetings were Jose Zozaya Delano, President of Kansas City Southern de Mexico and David Eaton, Vice President for Corporate Affairs, Kansas City Southern de Mexico.

CBP: Thanks but no Thanks

¶ 16. (SBU) During Embassy briefings, representatives from CBP reiterated that the agency would not participate directly in the Kansas City Smart Port project. They further indicated that CBP does not have the resources and manpower to station inspectors in Kansas City for pre-clearance. They informed the group that the next step would be to ask the Mexican Government to submit a written proposal outlining its interest in moving forward with the project. (Note: The same information was previously provided by CBP Headquarters in Washington to U.S. Sen. Kit Bond who had inquired into the project delay. End Note)

Tellez and Calderon Provide Generic Support

¶ 17. (SBU) During the 15 minute meeting with Secretary of MEXICO 00000804 002 OF 002

Communications and Transportation Luis Tellez, Tellez discussed his support for Kansas City Southern de Mexico and the continuing strong relations between Mexico and Missouri. During the 20 minute meeting with Calderon, who was accompanied by Secretary of Foreign Relations Patricia Espinosa and Under Secretary for North American Affairs Carlos Rico, Calderon did not directly express his backing of the program, but said he supports facilitating cross border trade and thereby increasing Mexico's global competitiveness.

Ministry of Finance Team Wants More than Smart Port

¶ 18. (SBU) The most extensive meeting was with Secretary of Finance Agustin Carstens who was accompanied by the Director General of SAT Jose Maria Zubiria and Mexican Customs Director Juan Jose Bravo. Carstens said that the Mexican government is looking forward to economic integration and an increase in trade, but deferred to his two directors for specific details. Zubiria said he was aware that the project request has been going on for several years. He said that in order for the Mexican government to move forward and decide how much money would be needed to fund such a project, they require a comprehensive business plan that would show the anticipated traffic of the facility. Bravo commented that, so far, Mexican Customs has not seen the volume necessary to sustain the Smart Port and that without information on the expected client base it would be difficult for the Mexican government to support the project.

¶ 19. (SBU) Zubiria then said that the Mexican government is following developments at CBP, and is looking for ways to deal with problems at the border and transportation. He noted that the Mexican government views problems for trains

crossing the border and trucks crossing the border as parts of the same problem, and that this problem needs to be solved. He made a direct reference to the inability of Mexican trucks to take their loads into the U.S. He also requested the support of the delegation in "promoting a similar facility in Mexican so that we (GoM and Smart Port) can move on a mutual agreement". Carstens supported this position saying that, the project supporters "need to find a way to incorporate it with our (GoM) workings with U.S. Customs and find a way for the idea to be applied in Mexico".

Comment

¶10. (SBU) Mexican officials were very cordial, although their message was that the Smart Port project is not making progress. The Finance Ministry seems to have tied the support of Smart Port to broader cross border transportation issues and getting a reciprocal agreement. At a minimum, the Finance Ministry may be seeking to use the Smart Port project as leverage to get a pre-clearance facility in Mexico. Despite the daunting gauntlet thrown by the Mexican government, the Smart Port delegation remained optimistic. They talked of gaining more congressional backing and investing more money to move the project forward. We expect Smart Port supporters to raise these issues in Washington.

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